

02 Put your business structure in place

All businesses need an internal governance document, but what this document is called and what it does varies by business type.

Internal governance documents are not filed with the Secretary of the State. These documents are often drafted by attorneys, and you may be required to disclose them to your accountant, your bank, the IRS, or other organizations. They should be kept with your other important organizational records.

IF YOU HAVE AN LLC

A limited liability company is the most common business type, and an operating agreement is the internal governing document for an LLC. It explains how the LLC is run, who owns it, and how decisions are made.

An individual can have two types of associations with an LLC, as a member or a manager. A member is someone with an ownership interest in the business.

Operating Agreement

An operating agreement is the internal governing document for an LLC. It explains how the LLC is run, who owns it, and how decisions are made. It typically addresses:

- Ownership percentages
- Member roles and responsibilities
- How profits and losses are distributed
- Voting rules
- How members are added or removed
- What happens if a member leaves, sells an interest or dies
- When the LLC can be dissolved

Members and Managers

Member	Manager
A member has an ownership interest in the LLC. A member's authority, share of profits, and decision-making role are generally addressed in the operating agreement.	A manager is appointed to manage day-to-day operations and make business decisions. A manager may also be an owner. When that is the case, the person may be referred to as a managing member.

GOOD HABIT: Review your information at **Business.CT.gov** whenever something about your business changes.

IF YOU HAVE A CORPORATION (profit or nonprofit)

Corporations, both profit and nonprofit, must have bylaws, which are the internal rules for the corporation. They outline how the corporation is governed, the authority of officers and directors, and how the corporation will make decisions.

Bylaws

Profit and nonprofit corporations use bylaws as their internal rules. Bylaws outline how the corporation is governed, the authority of officers and directors, and how decisions are made. They typically address:

- Structure of the board of directors.
- Officer roles.
- How meetings are held.
- Voting procedures.
- How directors are elected or removed.
- Record-keeping requirements.
- Conflict-of-interest rules.

DON'T FORGET: Organizational Meeting

Within 90 days of incorporating, profit and nonprofit corporations must adopt initial bylaws and elect officers and directors. The officers and directors must be reported to the Secretary of the State through the Organization and First Report. The corporation's Annual Report is then due one year after that filing and annually thereafter.

